

Tables:

Foreign G-Sec Bond Yield:

G-sec	Yield (in %)	1-Day Change in Bps
US 10Y*	3.89	-1
US 2Y*	4.32	-4
Germany 10Y	1.98	2
UK 10Y	3.50	-2
Japan 10Y	0.60	-1

Source: Bloomberg, *semi-annual

G-sec yield:

G-Sec	Yield (in %)	1-Day Change in Bps
7.06% GS 2028*	7.10	-1
7.18% GS 2033* (10Y)	7.19	0
7.18% GS 2037*	7.30	0
91-day T-bill	6.94	0
182-day T-bill	7.14	0
364-day T-bill	7.11	0

Source: CCL, RBI, *semi-annual

Spreads in bps for Corporates

Annualized Spreads	3-year	5-year	7-year	10-year
AAA	79	43	54	47
AA	145	108	120	115
A	332	298	310	305

Source: FIMMDA, as on 21 Dec, 2023

Key rates:

Policy	Rate (in %)
Repo rate	6.50
Standing Deposit Facility Rate	6.25
Bank rate	6.75
1-year median MCLR of SCBs	8.70
SOFR	5.31

Source: RBI, Federal Reserve Bank of New York

Money Market instruments:

Instrument	Volume (in Rs. Bn)	Weighted Avg Rate (%)
Call Money	106.0	6.79
Triparty Repo	3,536.0	6.77
Market Repo	1,329.8	6.79
Repo in corporate bond	2.57	7.16

Source: RBI, as of 22 Dec, 2023

Major Equity Indices:

Indices	Last	1-Day Change %
BSE SENSEX	71,107	0.3
NIFTY	21,349	0.4
NASDAQ	14,993	0.2
S&P 500	4,755	0.2
Nikkei 225	33,254	0.3
Euro Stoxx 50	4,521	-0.1

Source: Google Finance

Commodities futures:

Commodities	Last	1-Day Change %
Brent Crude (USD/bbl)	79.1	-1.3
Natural gas Nymex (USD/MMBtu)	2.6	1.2
Gold Comex (USD/t oz.)	2,069.1	0.3
Copper Comex (USD/lb)	390.5	-0.7
Wheat cbot (USD/bu.)	616.3	0.7

Source: Bloomberg

Exchange Rates:

Currency pair	Rate	1-Day Change %
USD/ INR	83.15	-0.2
GBP/ INR	105.42	-0.2
EUR/ INR	90.67	-0.9
EUR/USD	1.10	0.1
DX Index	101.71	-0.1

Source: Morningstar, Bloomberg, Marketwatch

Today's Key Macro Event:

India: SGS auction

News:

International:

US core inflation moderates in Nov'23 (Source: BEA): US PCE, rose by 2.6% y/y in Nov'23, lower as compared to 2.9% in Oct'23. The y/y inflation is driven by increase in prices of services (4.1%), against the backdrop of higher costs for services like housing and utilities. However, goods (-0.3%) saw some decline, especially in the durable segment which fell by 2.1%. Additionally, energy prices decreased 6.0%. Core PCE, the preferred barometer of the US Fed, was up 3.2% y/y (Oct'23: 3.4%).

China identifies second set of projects in CNY 1 trn spending plan (Source: Reuters): The National Development and Reform Commission (NDRC) said that it had identified 9.6k projects, including flood control and disaster relief programmes, under a bond issuance and investment plan of more than CNY 560 bn, taking the overall spending plan to CNY 1 trn.

Chinese state banks cut deposit rates (Source: FT): Several major Chinese banks reduced 1-year deposit rates to 1.45%, and 3-year rates to 1.95% so as to protect profitability and provide a buffer against further economic headwinds amid flagging growth.

Japan plans 10% reduction in debt issuance for FY25 (Source: Bloomberg): The finance ministry plans to issue JPY 171 trn in debt to the market, continuing a trend of reducing sales for the 4th consecutive year. Significant cuts are expected for 20-year bonds and shorter notes. BoJ Governor Mr. Ueda separately indicated policy would be changed if wage growth delivers positive surprises.

UK GDP shrinks in Q3CY23 (Source: ONS): UK GDP is estimated to have fallen by 0.1% y/y in Q3CY23 (Previous estimate: 0%, Q2CY23: 0%). In output terms, there was a 0.2% fall in the services sector, which offset a 0.4% increase in construction output and a 0.1% increase in the production sector.

Domestic:**MPC members voice concern over food inflation trajectory (Source: RBI, BS):**

- All 6 members of the RBI MPC voiced concerns about food inflation. Additionally, 2 external members cautioned about elevated real interest rates as headline inflation nears the 4% target
- Mr. Das mentioned that making any change in policy stance at this point would be premature and pose risks. This was concurred to by Mr. Ranjan
- Ms. Goyal cited the need to monitor the anticipated increase in food inflation in the coming months due to recurring concerns about supply shocks. Mr. Patra said that the policy needs to assign a higher weight to inflation relative to growth in a forward-looking sense
- Mr. Varma said that no stance is required at this stage, further, if needed, it should be neutral. Separately, he said that RBI should reduce nominal interest rates soon to prevent excessive rise in real interest rates

Union releases additional Rs. 730 bn tax devolution to states (Source: BS): The finance ministry said that the money has been released for financing social welfare measures and infrastructure development, in view of the forthcoming festivities and the New Year. The highest instalment of Rs 130 bn has been given to UP, followed by Bihar (Rs. 73 bn) and West Bengal (Rs. 55 bn).

Rupee payment push for crude imports faces hurdles (Source: BS): Efforts to use the rupee for crude oil imports face challenges, as concerns about fund repatriation and transaction costs deter suppliers. Although the RBI allowed rupee payments for imports and exports in Jul'22, oil exporters remain hesitant, while some success has been seen in non-oil trade with select countries.

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NITI plans to boost India's electronics, auto global value chain share (Source: BS): NITI Aayog is leading an initiative to enhance India's global value chains (GVCs) and boost its global manufacturing presence. The focus is on the automotive and electronics sectors, identified as priority areas due to their dominance and significant penetration potential.

Coal imports by power sector up 84% y/y in Nov'23 (Source: The Hindu Businessline): Thermal power plants imported 5.9 mn tonnes in Nov'23, compared to 7.5 mn tonnes in Oct'23 and 3.2 mn tonnes in Nov'22. The higher imports are partly due to the Power Ministry's mandate of importing higher quantities at 6% from 4% earlier, due to the substantial rise in power demand, which was up 8.5% y/y. However, during 8MFY24, coal imports fell 2% y/y to 41.2 mn tonnes.

SEBI proposes optional instant settlement (Source: FE): The SEBI issued a consultation paper on instant settlement of funds and securities as an optional T+0 settlement cycle in two phases. Initially, the top 500 listed companies by market capitalization will be eligible for T+0 settlement. The transition will take place in three tranches: 200, 200, and 100 securities, progressing from the lowest to the highest market capitalization.

G-sec and VRR auctions concluded successfully (Source: RBI):

- 7.33% GS 2026 worth Rs. 80 bn were auctioned (notified: Rs 80 bn) at a cut-off yield of 7.0801%. 7.18% GS 2037 worth Rs. 100 bn were auctioned (notified: Rs 100 bn) at a cut-off yield of 7.3046%. 7.25% GS 2063 worth Rs. 120 bn were auctioned (notified: Rs 120 bn) at a cut-off yield of 7.4339%.
- 7-day VRR worth Rs. 1.75 trn were conducted against a notified amount of Rs. 1.75 trn at a cut-off yield of 6.68%. Bids worth Rs. 4.25 trn were seen as systemic liquidity was low

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